



## INDEPENDENT AUDITORS' REPORT

To the Honorable Board of County Supervisors  
Waukesha County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of and for the year ended December 31, 2005, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Waukesha County, Wisconsin, as of December 31, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue a report on our consideration of Waukesha County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Honorable Board of County Supervisors

The management's discussion and analysis and budgetary comparison on pages 17 to 27 and 77 to 83 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waukesha County's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2005 taken as a whole.

The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Waukesha County, Wisconsin. The information has not been audited by us and, accordingly, we express no opinion on such information.

*Virchow, Krause & Company, LLP*

Madison, Wisconsin  
April 17, 2006

## GOVERNMENT-WIDE STATEMENTS

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF NET ASSETS  
December 31, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 99,538,822	\$ 17,011,867	\$ 116,550,689	\$ 533,470
Receivables:				
Property taxes - delinquent	5,046,837	-	5,046,837	-
Property taxes - levied for subsequent years budget	89,956,405	201,453	90,157,858	-
Taxes levied for other governments	8,525,704	-	8,525,704	-
Accrued interest	847,611	-	847,611	3,535
Accounts	2,043,123	165,067	2,208,190	10,718
Due from other governments	8,402,322	18,615	8,420,937	-
Internal balances	398,958	(398,958)	-	-
Prepaid items	70,841	136,305	207,146	1,698
Inventories	445,437	181,225	626,662	-
Unamortized bond issuance expense	112,905	-	112,905	-
Advances to/from other funds	4,593,322	(4,593,322)	-	-
Restricted cash and investments	390,097	-	390,097	33,868
Deposit in WMMIC	2,459,264	-	2,459,264	-
Long term receivable	4,345,011	2,271,326	6,616,337	-
Capital assets:				
Land	34,049,706	10,288,747	44,338,453	-
Construction in progress	78,722,835	569,415	79,292,250	-
Buildings	99,718,759	16,450,584	116,169,343	-
Improvements other than buildings	11,378,029	17,996,244	29,374,273	-
Machinery and equipment	27,859,450	7,584,879	35,444,329	-
Vehicles	9,896,739	-	9,896,739	-
Infrastructure	173,739,617	-	173,739,617	-
Accumulated depreciation	(143,910,206)	(17,867,573)	(161,777,779)	-
<b>Total assets</b>	<b>\$ 518,631,588</b>	<b>\$ 50,015,874</b>	<b>\$ 568,647,462</b>	<b>\$ 583,289</b>
<b>LIABILITIES</b>				
Vouchers payable	\$ 11,251,543	\$ 300,247	\$ 11,551,790	\$ 1,493
Accrued compensation	5,252,177	52,584	5,304,761	11,996
Other liabilities	1,543,866	71,553	1,615,419	33,908
Due to other governments	8,774,966	-	8,774,966	53,643
Claims payable - current	4,309,332	-	4,309,332	-
Bond interest payable	571,323	-	571,323	-
Deferred property tax revenue	90,534,864	201,453	90,736,317	-
Other unearned revenue	1,077,939	746,286	1,824,225	-
Long-Term Liabilities:				
Compensated absences - current	4,196,753	-	4,196,753	-
Claims payable - non current	535,355	-	535,355	-
Bonds payable - current	9,625,000	-	9,625,000	-
Bonds payable - non current	67,525,000	-	67,525,000	-
Unamortized bond issuance discount	(44,979)	-	(44,979)	-
Unamortized bond issuance premium	153,476	-	153,476	-
<b>Total liabilities</b>	<b>\$ 205,306,615</b>	<b>\$ 1,372,123</b>	<b>\$ 206,678,738</b>	<b>\$ 101,040</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 214,309,336	\$ 35,022,296	\$ 249,331,632	\$ -
Restricted net assets for:				
Park development	164,669	-	164,669	-
Land information systems	1,251,444	-	1,251,444	-
Debt service	2,446,445	-	2,446,445	-
Community development block grant	5,981,398	-	5,981,398	-
Federated library	349,531	-	349,531	-
Deposit in WMMIC	2,459,264	-	2,459,264	-
Unrestricted net assets	86,362,886	13,621,455	99,984,341	482,249
<b>Total net assets</b>	<b>\$ 313,324,973</b>	<b>\$ 48,643,751</b>	<b>\$ 361,968,724</b>	<b>\$ 482,249</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2005

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets					Component Unit
	PRIMARY GOVERNMENT				Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
Justice and public safety	\$ 43,593,777	\$ 9,087,478	\$ 2,615,653	\$ -	\$ (31,890,646)	\$ -
Health and human services	87,663,924	8,528,030	57,179,817	-	(21,956,077)	-
Environment, parks and education	18,151,819	8,024,456	2,334,438	-	(7,792,925)	-
Public works	25,327,577	4,126,423	5,442,705	3,168,989	(12,589,460)	-
General government	12,907,820	935,504	477,224	416,613	(11,078,479)	-
Interest expense	3,095,861	-	-	-	(3,095,861)	-
Total Governmental Activities	190,740,778	30,701,891	68,049,837	3,585,602	(88,403,448)	(88,403,448)
<b>BUSINESS TYPE ACTIVITIES</b>						
Radio services	762,127	573,784	395,404	136,372	-	343,433
Golf courses	3,148,772	3,143,569	-	-	-	(5,203)
Ice arenas	1,132,778	896,627	-	(14,203)	-	(250,354)
Materials recovery facility	1,854,316	1,182,572	1,071,968	-	-	400,224
Airport	1,854,729	635,278	135,835	312,281	-	(771,335)
Total Business Type Activities	8,752,722	6,431,830	1,603,207	434,450	-	(283,235)
Total Primary Government	\$ 199,493,500	\$ 37,133,721	\$ 69,653,044	\$ 4,020,052	\$ (88,403,448)	\$ (88,686,683)
<b>COMPONENT UNIT</b>						
Housing authority	\$ 2,349,696	\$ -	\$ 2,276,586	\$ -	\$ -	\$ (73,110)
<b>GENERAL REVENUES</b>						
Property taxes					89,356,561	89,558,014
Grants and contributions, not restricted to specific programs					1,858,821	1,858,821
Investment earnings					4,152,399	4,355,835
Miscellaneous					5,975,479	6,081,140
Gains on disposal/sale of capital assets					337,544	337,544
Total General Revenues					101,680,804	102,191,354
Transfers					2,081,339	-
Change in Net Assets					(1,854,024)	13,504,671
Net Assets - Beginning of Year as restated					297,966,278	348,464,053
Net Assets - End of Year					\$ 48,643,751	\$ 361,968,724

See notes to financial statements.

## **MAJOR GOVERNMENTAL FUNDS**

**GENERAL FUND** - The General Fund is the primary operating fund of the County. It is used to account for resources traditionally associated with governments, except those required to be accounted for in another fund.

**HUMAN SERVICES FUND** - To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

**LONG TERM CARE FUND** - To account for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

**DEBT SERVICE FUND** - The debt service fund is used to account for the accumulation of resources for the payment of general long-term debt principal, interest and service costs.

WAUKESHA COUNTY, WISCONSIN

COMBINING BALANCE SHEET - ALL GOVERNMENTAL FUNDS  
December 31, 2005

	General Fund	Human Services Fund	Long Term Care Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 46,303,175	\$ 1,550,083	\$ 1,260,633	\$ 3,017,768	\$ 32,916,886	\$ 85,048,545
Receivables:						
Property taxes - delinquent	5,046,837	-	-	-	-	5,046,837
Property taxes levied for ensuing year's budget	52,769,951	12,418,704	1,752,870	11,755,914	10,989,130	89,686,569
Taxes levied for other governments	8,525,704	-	-	-	-	8,525,704
Accrued interest	847,611	-	-	-	-	847,611
Accounts	983,519	289,333	163,669	-	241,595	1,678,116
Due from other governments	1,117,288	1,753,384	3,428,407	-	2,038,306	8,337,385
Due from other funds	43,948	-	-	-	-	43,948
Inventories	-	-	-	-	87,439	87,439
Prepaid items	-	626	-	-	200	826
Advances to other funds	6,650,533	-	-	-	-	6,650,533
Long term receivable	-	-	-	-	4,345,011	4,345,011
<b>Total assets</b>	<b>\$ 122,288,566</b>	<b>\$ 16,012,130</b>	<b>\$ 6,605,579</b>	<b>\$ 14,773,682</b>	<b>\$ 50,618,567</b>	<b>\$ 210,298,524</b>
<b>LIABILITIES</b>						
Vouchers payable	\$ 2,619,991	\$ 1,748,014	\$ 2,745,904	\$ -	\$ 3,260,095	\$ 10,374,004
Accrued compensation	5,092,254	8,481	-	-	12,067	5,112,802
Other liabilities	387,921	763,682	88,423	-	195,572	1,435,598
Due to other governments	8,673,779	65,019	-	-	36,168	8,774,966
Due to other funds	-	-	-	-	43,948	43,948
Claims payable	1,966,366	-	-	-	-	1,966,366
Deferred property tax revenue	53,348,410	12,418,704	1,752,870	11,755,914	10,989,130	90,265,028
Other deferred revenue	341,218	-	-	-	5,081,733	5,422,951
Advances from other funds	-	-	-	-	1,797,685	1,797,685
<b>Total liabilities</b>	<b>\$ 72,429,939</b>	<b>\$ 15,003,900</b>	<b>\$ 4,587,197</b>	<b>\$ 11,755,914</b>	<b>\$ 21,416,398</b>	<b>\$ 125,193,348</b>
<b>FUND BALANCES</b>						
Reserved for non-current interfunds	\$ 6,694,481	\$ -	\$ -	\$ -	\$ -	\$ 6,694,481
Reserved for delinquent property taxes	4,468,377	-	-	-	-	4,468,377
Reserved for inventories	-	-	-	-	87,439	87,439
Reserved for prepaid items	-	626	-	-	200	826
Reserved for debt service	-	-	-	3,017,768	-	3,017,768
Reserved for capital projects	-	-	-	-	10,828,483	10,828,483
Reserved for park purposes	-	-	-	-	4,366,904	4,366,904
Unreserved:						
Designated for capital projects, reported in capital projects funds	-	-	-	-	10,138,578	10,138,578
Designated for subsequent year's expenditures, reported in general fund	7,334,800	-	-	-	-	7,334,800
Designated for subsequent year's expenditures, reported in special revenue funds	-	385,952	200,000	-	3,406,338	3,992,290
Designated for sick leave payout	400,000	-	-	-	-	400,000
Designated for insurance reserves	2,600,000	-	-	-	-	2,600,000
Undesignated, reported in general fund	28,360,969	-	-	-	-	28,360,969
Undesignated, reported in special revenue funds	-	621,652	1,818,382	-	374,227	2,814,261
<b>Total fund balances</b>	<b>\$ 49,858,627</b>	<b>\$ 1,008,230</b>	<b>\$ 2,018,382</b>	<b>\$ 3,017,768</b>	<b>\$ 29,202,169</b>	<b>\$ 85,105,176</b>
<b>Total liabilities and fund balances</b>	<b>\$ 122,288,566</b>	<b>\$ 16,012,130</b>	<b>\$ 6,605,579</b>	<b>\$ 14,773,682</b>	<b>\$ 50,618,567</b>	<b>\$ 210,298,524</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2005

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Total Fund Balances - Governmental Funds	\$ 85,105,176
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds (excludes internal service funds).	277,695,610
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(81,913,669)
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Internal service funds are used by management to charge the costs of various services to individual funds and functional categories. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	28,092,844
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Other long term assets are not available to pay for current period expenditures and, therefore are deferred in the funds.	4,345,012
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<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 313,324,973</u></b>
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See notes to financial statements.



WAUKESHA COUNTY, WISCONSIN

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General Fund	Human Services Fund	Long Term Care Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
General intergovernmental assistance	\$ 1,803,600	\$ -	\$ -	\$ -	\$ 4,007,986	\$ 5,811,586
Intergovernmental contracts/grants	5,681,664	21,607,493	28,180,390	-	15,276,218	70,745,765
Taxes	50,481,033	12,085,273	1,782,051	10,936,251	11,858,845	87,143,453
Fines and licenses	3,129,437	501,878	-	-	-	3,631,315
Charges for services	13,471,024	1,721,440	501,234	-	2,885,502	18,579,200
Interdepartmental revenues	3,320,247	44,176	-	-	322,433	3,686,856
Investment earnings	2,857,505	-	-	295,076	565,235	3,717,816
Miscellaneous revenues	6,467,807	1,935,243	2,440,314	-	2,632,835	13,476,199
<b>Total revenues</b>	<b>87,212,317</b>	<b>37,895,503</b>	<b>32,903,989</b>	<b>11,231,327</b>	<b>37,549,054</b>	<b>206,792,190</b>
<b>EXPENDITURES</b>						
Current:						
Justice and public safety	44,280,802	-	-	-	-	44,280,802
Health and human services	5,237,573	38,050,104	32,754,622	-	11,675,157	87,717,456
Environment, parks and education	13,400,141	-	-	-	4,773,732	18,173,873
Public works	9,039,057	-	-	-	9,575,489	18,614,546
General government	11,993,665	-	-	-	-	11,993,665
Capital outlay:						
Environment, parks and education	-	-	-	-	2,210,663	2,210,663
Public works	-	-	-	-	24,242,138	24,242,138
General government	-	-	-	-	1,525,180	1,525,180
Debt service:						
Principal retirement	-	-	-	8,715,000	-	8,715,000
Interest and fiscal charges	-	-	-	3,002,020	-	3,002,020
<b>Total expenditures</b>	<b>83,951,238</b>	<b>38,050,104</b>	<b>32,754,622</b>	<b>11,717,020</b>	<b>54,002,359</b>	<b>220,475,343</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>3,261,079</b>	<b>(154,601)</b>	<b>149,367</b>	<b>(485,693)</b>	<b>(16,453,305)</b>	<b>(13,683,153)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
General obligation notes issued	-	-	-	-	14,400,000	14,400,000
Transfers in	165,000	-	-	500,000	5,272,615	5,937,615
Transfers out	(3,917,420)	(89,600)	(159,470)	-	(1,600,000)	(5,766,490)
<b>Total other financing sources (uses)</b>	<b>(3,752,420)</b>	<b>(89,600)</b>	<b>(159,470)</b>	<b>500,000</b>	<b>18,072,615</b>	<b>14,571,125</b>
<b>Net change in fund balances</b>	<b>(491,341)</b>	<b>(244,201)</b>	<b>(10,103)</b>	<b>14,307</b>	<b>1,619,310</b>	<b>887,972</b>
Fund Balances - January 1 as restated	50,349,968	1,252,431	2,028,485	3,003,461	27,582,859	84,217,204
<b>Fund Balances - December 31</b>	<b>\$ 49,858,627</b>	<b>\$ 1,008,230</b>	<b>\$ 2,018,382</b>	<b>\$ 3,017,768</b>	<b>\$ 29,202,169</b>	<b>\$ 85,105,176</b>

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
December 31, 2005

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Net changes in fund balances - total governmental funds	\$ 887,972
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation in the current period.	23,281,041
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the Statement of Net Assets.	8,715,000
The issuance of long term debt is an other financing source in the governmental funds, but the issuance increases long term liabilities in the Statement of Net Assets.	(14,400,000)
Some expenses reported in the Statement of Activities, such as compensated balances and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(607,591)
Internal service funds are used by management to charge the costs of various services to individual funds and functional categories.	(1,573,003)
Governmental funds report economic loan repayments as revenues and the issuance of new loans as expenditures. These activities are reported as changes in loans receivable in the government-wide statements.	(944,724)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 15,358,695</u></b>
See notes to financial statements.	

## **MAJOR PROPRIETARY FUNDS**

**AIRPORT OPERATIONS/DEVELOPMENT FUND** - To account for the operation and maintenance of the County airport buildings and runways, located in Waukesha, Wisconsin.

**WAUKESHA COUNTY, WISCONSIN**

COMBINING STATEMENT OF NET ASSETS - ALL PROPRIETARY FUNDS  
December 31, 2005

	Business-type Activities - Enterprise Funds			
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 1,949,567	\$ 15,062,300	\$ 17,011,867	\$ 14,490,277
Receivables:				
Property taxes levied for ensuing year's budget	201,453	-	201,453	269,836
Accounts	29,215	135,852	165,067	365,007
Total receivables	230,668	135,852	366,520	634,843
Due from other governments	-	18,615	18,615	64,937
Prepaid items	-	136,305	136,305	70,015
Inventories	-	181,225	181,225	357,998
Total current assets	2,180,235	15,534,297	17,714,532	15,618,070
Noncurrent assets:				
Advances to other funds	-	461,609	461,609	-
Long term receivable	-	2,271,326	2,271,326	-
Restricted cash and investments	-	-	-	390,097
Deposit in WMMIC	-	-	-	2,459,264
Capital assets:				
Land	8,049,032	2,239,715	10,288,747	-
Buildings	6,550,103	9,900,481	16,450,584	4,122,283
Improvements other than buildings	15,056,936	2,939,308	17,996,244	22,089
Machinery and equipment	667,830	6,917,049	7,584,879	11,100,551
Vehicles	-	-	-	9,377,860
Construction in progress	-	569,415	569,415	153,169
Less accumulated depreciation	(8,442,637)	(9,424,936)	(17,867,573)	(11,016,633)
Total capital assets (net of accumulated depreciation)	21,881,264	13,141,032	35,022,296	13,759,319
Total noncurrent assets	21,881,264	15,873,967	37,755,231	16,608,680
<b>Total assets</b>	<b>\$ 24,061,499</b>	<b>\$ 31,408,264</b>	<b>\$ 55,469,763</b>	<b>\$ 32,226,750</b>
<b>LIABILITIES</b>				
Current liabilities:				
Vouchers payable	\$ 22,058	\$ 278,189	\$ 300,247	\$ 877,532
Accrued compensation	9,740	42,844	52,584	139,375
Other liabilities	51,043	20,510	71,553	108,268
Deferred property tax revenue	201,453	-	201,453	269,836
Other deferred revenue	-	746,286	746,286	-
Total current liabilities	284,294	1,087,829	1,372,123	1,395,011
Noncurrent liabilities:				
Advances from other funds	-	5,054,931	5,054,931	259,526
Claims payable	-	-	-	2,878,327
Total noncurrent liabilities	-	5,054,931	5,054,931	3,137,853
<b>Total liabilities</b>	<b>\$ 284,294</b>	<b>\$ 6,142,760</b>	<b>\$ 6,427,054</b>	<b>\$ 4,532,864</b>
<b>NET ASSETS</b>				
Invested in capital assets	21,881,264	13,141,032	35,022,296	13,759,319
Restricted for deposit in WMMIC	-	-	-	2,459,264
Unrestricted	1,895,941	12,124,472	14,020,413	11,475,303
<b>Total net assets</b>	<b>\$ 23,777,205</b>	<b>\$ 25,265,504</b>	<b>\$ 49,042,709</b>	<b>\$ 27,693,886</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(398,958)	
<b>Net Assets of Business-type Activities</b>			<b>\$ 48,643,751</b>	

See notes to financial statements.

WAUKESHA COUNTY, WISCONSIN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS - ALL PROPRIETARY FUNDS  
For The Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 635,278	\$ 5,793,593	\$ 6,428,871	\$ 267,867
Interdepartmental revenues	-	423,363	423,363	10,062,842
Miscellaneous revenues	82,188	26,338	108,526	345,671
<b>Total operating revenues</b>	<b>717,466</b>	<b>6,243,294</b>	<b>6,960,760</b>	<b>10,676,380</b>
<b>OPERATING EXPENSES</b>				
Salaries	157,005	1,457,233	1,614,238	2,392,974
Benefits	62,169	423,769	485,938	923,629
Estimated future claims expense	-	-	-	1,547,390
Operating	301,877	1,329,242	1,631,119	4,855,328
Contracted services	290,183	1,340,018	1,630,201	699,076
Interdepartmental	44,851	1,372,964	1,417,815	405,584
Depreciation	950,385	1,094,420	2,044,805	2,476,448
<b>Total operating expenses</b>	<b>1,806,470</b>	<b>7,017,646</b>	<b>8,824,116</b>	<b>13,300,429</b>
<b>Operating income (loss)</b>	<b>(1,089,004)</b>	<b>(774,352)</b>	<b>(1,863,356)</b>	<b>(2,624,049)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
General property taxes	201,453	-	201,453	299,836
Intergovernmental contracts/grants	135,835	1,603,744	1,739,579	3,541
Investment earnings	1,552	201,977	203,529	434,583
Interest expense and fiscal charges	-	-	-	(27,278)
Gain (loss) on disposal of capital assets	-	(219,701)	(219,701)	334,731
<b>Total non-operating revenues (expenses)</b>	<b>338,840</b>	<b>1,586,020</b>	<b>1,924,860</b>	<b>1,045,413</b>
<b>Income (loss) before transfers and contributions</b>	<b>(750,164)</b>	<b>811,668</b>	<b>61,504</b>	<b>(1,578,636)</b>
Transfers in	-	68,875	68,875	-
Transfers out	-	(2,150,214)	(2,150,214)	(165,000)
<b>Total transfers</b>	<b>-</b>	<b>(2,081,339)</b>	<b>(2,081,339)</b>	<b>(165,000)</b>
<b>Income (loss) before contributions</b>	<b>(750,164)</b>	<b>(1,269,671)</b>	<b>(2,019,835)</b>	<b>(1,743,636)</b>
Capital contributions	312,280	(14,203)	298,077	38,367
<b>Increase (decrease) in net assets</b>	<b>(437,884)</b>	<b>(1,283,874)</b>	<b>(1,721,758)</b>	<b>(1,705,269)</b>
Net assets - January 1	24,215,089	26,549,378		29,399,155
<b>Net assets - December 31</b>	<b>\$ 23,777,205</b>	<b>\$ 25,265,504</b>		<b>\$ 27,693,886</b>
Adjustment to reflect the consolidation of current year internal service fund activities related to enterprise funds			(132,266)	
<b>Change in net assets of business-type activities</b>			<b>\$ (1,854,024)</b>	

See notes to financial statements.

**WAUKESHA COUNTY, WISCONSIN**

**COMBINING STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS**  
For The Year Ended December 31, 2005

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Airport Operations/ Development Fund</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 689,594	\$ 5,896,446	\$ 6,586,040	\$ 859,703
Receipts from interfund services provided	-	423,363	423,363	10,290,584
Payments to suppliers	(588,031)	(2,639,428)	(3,227,459)	(5,912,311)
Payments to employees	(218,699)	(1,885,560)	(2,104,259)	(3,312,278)
Payments for interfund services used	(44,851)	(1,372,964)	(1,417,815)	(405,584)
<b>Total cash flows from operating activities</b>	<b>(161,987)</b>	<b>421,857</b>	<b>259,870</b>	<b>1,520,114</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	-	(75,000)	(75,000)	(165,000)
Transfers from other funds	-	68,875	68,875	-
Receipts from intergovernmental contracts/grants	135,835	1,723,104	1,858,939	-
Receipts from general property taxes	201,453	-	201,453	299,836
<b>Total cash flows from non-capital financing activities</b>	<b>337,288</b>	<b>1,716,979</b>	<b>2,054,267</b>	<b>134,836</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets*	(227,718)	(785,940)	(1,013,658)	(3,352,635)
Proceeds from sales of capital assets	-	-	-	546,132
Capital contributions	-	(14,203)	(14,203)	28,952
Long term receivable from municipalities	-	574,627	574,627	-
Principal paid on capital related interfund advance	-	(711,834)	(711,834)	(116,750)
Interest paid on capital related interfund advance	-	-	-	(27,278)
<b>Total cash flows from capital and related financing activities</b>	<b>(227,718)</b>	<b>(937,350)</b>	<b>(1,165,068)</b>	<b>(2,921,579)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	1,552	201,977	203,529	434,583
<b>Total cash flows from investing activities</b>	<b>1,552</b>	<b>201,977</b>	<b>203,529</b>	<b>434,583</b>
Cash and Cash Equivalents, Beginning of Year	2,000,432	13,658,837	15,659,269	15,712,420
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,949,567</b>	<b>\$ 15,062,300</b>	<b>\$ 17,011,867</b>	<b>\$ 14,880,374</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (1,089,004)	\$ (774,352)	\$ (1,863,356)	\$ (2,624,049)
Non-operating income	-	-	-	3,541
Depreciation expense	950,385	1,094,420	2,044,805	2,476,448
(Increase) Decrease in accounts receivable	(27,872)	128,683	100,811	(311,535)
(Increase) Decrease in due from other governments	-	346	346	281,901
(Increase) Decrease in prepaid items	-	43,240	43,240	1,225
(Increase) Decrease in inventories	-	42,566	42,566	(58,635)
Increase (Decrease) in advance to other funds	-	-	-	500,000
Increase (Decrease) in vouchers payable	4,029	(27,407)	(23,378)	289,748
Increase (Decrease) in accrued compensation	475	(4,558)	(4,083)	4,325
Increase (Decrease) in other liabilities	-	10,972	10,972	94,363
Increase (Decrease) in due to other governments	-	(30,731)	(30,731)	-
Increase (Decrease) in other deferred revenue	-	(61,322)	(61,322)	-
Increase (Decrease) in claims payable	-	-	-	862,782
<b>Net cash provided by operating activities</b>	<b>\$ (161,987)</b>	<b>\$ 421,857</b>	<b>\$ 259,870</b>	<b>\$ 1,520,114</b>

(CONTINUED)

WAUKESHA COUNTY, WISCONSIN

COMBINING STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUNDS  
For The Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Airport Operations/ Development Fund	Other Enterprise Funds	Total	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE COMBINED STATEMENT OF NET ASSETS				
Cash and investments - statement of net assets	\$ 1,949,567	\$ 15,062,300	\$ 17,011,867	\$ 14,490,277
Restricted cash and investments - statement of net assets	-	-	-	390,097
Cash and cash equivalents - end of year	<u>\$ 1,949,567</u>	<u>\$ 15,062,300</u>	<u>\$ 17,011,867</u>	<u>\$ 14,880,374</u>

\* There were \$ 312,281 of Enterprise non-cash contributions of capital assets during the year.

\* There were \$ 44,542 of Internal Service non-cash contributions of capital assets during the year.

\* There was a non-cash transfer of \$2,075,214 of fixed assets from the Enterprise funds to the General fund during the year.

See notes to financial statements.

(CONCLUDED)

## **NOTES TO BASIC FINANCIAL STATEMENTS**



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of Waukesha County, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

**A. Reporting Entity**

This report includes all of the funds of Waukesha County. The reporting entity for the County consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by the separate organization (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability to otherwise access, are significant to the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Included within the reporting entity is the following Discretely Presented Component Unit:

**WAUKESHA COUNTY HOUSING AUTHORITY**

The government-wide financial statements include the Waukesha County Housing Authority ("Housing Authority") as a component unit. The Housing Authority is a legally separate organization. The county executive appoints the board of the Housing Authority. Wisconsin Statutes provide for circumstances whereby the County can impose their will on the Housing Authority, and also create a potential financial benefit to or burden on the County. See Note 13. As a component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended September 30, 2005. Separately issued financial statements of the Waukesha County Housing Authority may be obtained from the Housing Authority's office at 120 Corrina Blvd., Waukesha, Wisconsin, 53186.

**B. Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**Fund Financial Statements**

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

The County reports the following major governmental and enterprise funds:

**Major Governmental Funds**

General Fund – accounts for the County's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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Human Services Special Revenue Fund – To account for funds provided for income maintenance, counseling, alcohol and drug abuse programs, children's center services, services to the developmentally disabled, chronically mentally ill, elderly and administrative support services.

Long Term Care Special Revenue Fund – Accounts for federal and state funds that provide services to eligible persons who are elderly, developmentally disabled, physically disabled or have a long-term mental illness.

General Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than proprietary fund debt.

**Major Enterprise Funds**

Airport Operations/Development Fund – Accounts for the operation of the County airport buildings and runways.

The County reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Elderly Nutrition Fund
- Walter Tarmann Fund
- Land Information System Fund
- Child Support Fund
- Community Development Block Grant Fund
- Mental Health Center Fund
- Highway Operations Fund
- Smith Park Fund
- Reuss Trust Fund
- Federated Library Fund

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities

1998 through 2006 Capital Projects funds

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Radio Services Fund
- Golf Course Fund
- Ice Arena Fund
- Exposition Center Fund
- Materials Recovery Facility Fund

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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In addition, the County reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental units, on a cost-reimbursement basis.

Risk Management/Self Insurance Fund  
Vehicle/Equipment Replacement Fund  
Central Fleet Maintenance Fund  
Records Management Fund  
Communications Fund  
Collections Fund  
End User Technology Fund

Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Dog License Fund	Homemaker Fund
Burial Fund	Sheriff Processing Fee
Unclaimed Property Fund	Main Jail Fund
Flexible Spending Account	Municipal Property Tax Collections
Huber Law Fund	Clerk of Courts Fund
District Attorney NSF Fund	

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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**FUND FINANCIAL STATEMENTS**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Human service fund, long term care fund, mental health center fund, and certain federally funded grant revenues are considered available if they are collected within 180 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Revenues susceptible to accrual include general intergovernmental assistance, intergovernmental contracts/grants, interdepartmental revenues, property taxes, miscellaneous taxes, charges for services, and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The County reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year that are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the County has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

**1. Deposits and Investments**

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

State statutes restrict investment of County funds. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The State of Wisconsin Local Government Investment Pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The County's adopted investment policy is more restrictive than the state statutes in that it limits participation in investment pools to 10% of total pool assets and prohibits investments in corporate bonds, foreign securities, and the use of leverage. County policy also limits the use of open-ended management investments (mutual funds) to Aaa/AAA rated money market funds.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment earnings. Investment earnings on commingled investments of various County funds is allocated based on average balances, in accordance with adopted policies. A total of \$1,303,899 of investment interest was allocated to other funds in 2005. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Statutes Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2005, the County's share of the LGIP's assets are reported at fair value. See Note 4 for further information.

**2. Receivables**

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the County, taxes are collected for and remitted to the state and local governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2005 tax roll:

Lien date and levy date	December 2005
Tax bills mailed	December 2005
Payment in full, or	January 31, 2006
First installment due	January 31, 2006
Second installment due	July 31, 2006
Personal property taxes in full	January 31, 2006
Tax sale – 2005 delinquent real estate taxes	October 2008

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

**3. Inventories and Prepaid Items**

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the consumption method of accounting. Proprietary fund inventories are generally used for operation and maintenance work. They are valued at cost based on the average cost method and charged to operation and maintenance expense when used. Inventory quantities at December 31, 2005 were determined by physical counts.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. The balance of the county's SIR deposit held by WMMIC is shown as restricted cash and investments.

5. Capital Assets

**GOVERNMENT –WIDE STATEMENTS**

The County defines capital assets as assets with an initial cost of more than \$5,000 for general capital assets and \$100,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2006, when GASB 34 requires the County to retroactively report all major general infrastructure assets acquired since January 1, 1980. The County has retroactively reported all network infrastructure acquired by its governmental funds.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest expense was capitalized in 2005. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	24-71 Years
Land Improvements	10-39 Years
Machinery and Equipment	3-20 Years
Infrastructure	15-50 Years

**FUND FINANCIAL STATEMENTS**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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**6. Other Assets**

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

**7. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2005 are determined on the basis of current salary rates and include salary related payments.

Amounts accrued in the government-wide statement of net assets are considered due within one year because the county considers the carryover balances to be used before new benefit allocations.

**8. Long-Term Obligations/Conduit Debt**

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The County does not engage in conduit debt transactions.

**9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year-end.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 1– SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

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10. Equity Classifications

**GOVERNMENT–WIDE STATEMENTS**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

**FUND STATEMENTS**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

11. Prior Period Information

Prior period information has not been presented in the statements since their inclusion would make the statements unduly complex and difficult to read.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 2– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation states that “Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.” The details of this are as follows:

Beginning capital assets	\$383,279,282
Beginning accumulated depreciation	(128,864,713)
Current year net asset additions	31,715,279
Current year net depreciation	<u>(8,434,238)</u>
Total	<u>\$277,695,610</u>

Another element of that reconciliation “Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.” All liabilities—both current and long-term—are reported in the statement of net assets. The details of this are as follows

Bonds and notes payable	\$77,150,000
Compensated absences	4,196,753
Accrued interest	571,324
Unamortized debt premium	153,476
Unamortized debt discount and issue costs	<u>(157,884)</u>
Total	<u>\$81,913,669</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets exceed depreciation in the current period.” The details of this are as follows:

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 2– RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONT'D)**

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Capital outlay per fund financial statements	\$27,977,981
Some capital outlay is recorded as a functional expense	1,021,439
Capital outlay transferred in from the exposition center	2,081,339
Some additions to capital assets are contributed to the county and therefore are not reported as expenditures in the fund financial statements	634,520
Depreciation expense (net of internal service funds)	(6,439,081)
Adjustments to depreciation for exposition center and register of deeds	<u>(1,995,157)</u>
Total	<u><u>\$23,281,041</u></u>

Another element of that reconciliation states, "Some expenses reported in the statement of activities, such as compensated absences and interest payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this are as follows:

Compensated absences	401,233
Accrued interest	94,938
Debt issuance costs	<u>111,420</u>
Total	<u><u>\$607,591</u></u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.

Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds. Accordingly, a budget has been adopted for the general fund and all special revenue, debt service, capital project, enterprise, and internal service funds. These budgets are prepared on a basis consistent with generally accepted accounting principles. Budgets are not formally adopted for agency funds.

Expenditures cannot legally exceed appropriations at the department level, pursuant to s.65.90, Wisconsin State Statutes. However, for the general and special revenue funds, the County has chosen a more restrictive control in the form of appropriation units, defined as groups of account classes within a department, including personnel costs, operating expenses, interdepartmental charges, and capital outlay. For proprietary funds, budgetary control is at the fund level. For capital project funds, budgetary control is at the individual project level.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 3– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

State statutes, (s.65.905 (a)), also provide for the County Board to authorize an amendment of the budget by a vote of two-thirds of the entire membership of the Board. The County Board has authorized the Finance Committee, under County Code Section 2-211(c)(3), the following fund transfer authority:

1. A transfer of funds from one appropriation unit to another within the department budget.
2. A transfer of funds from the contingency fund, not to cumulatively exceed 10% of the funds originally appropriated for a department in a fiscal year.

In addition, the statutes allow supplemental budget appropriations to be made from unanticipated revenues received or fund equity, as defined by ordinance and adopted by two-thirds approval of the County Board.

Supplemental appropriations necessary for 2005 were as follows:

	<b>Adopted Budget</b>	<b>Modified Budget*</b>	<b>Increase/Decrease</b>
General	\$ 86,921,457	\$ 88,641,051	\$ 1,719,594
Special Revenue	105,241,094	106,056,419	815,325
Debt Service	12,086,251	12,086,251	--
Capital Projects	27,472,500	27,822,500	350,000
Enterprise	9,490,154	9,490,154	--
Internal Service	13,166,576	14,203,692	1,037,116
Totals	\$ 254,378,032	\$ 258,300,067	\$ 3,922,035

\*Excludes carryover project funds from prior years for general (\$1,707,920) special revenue (\$4,691,905), capital projects (\$12,119,467), enterprise (\$1,194,383) and internal service (\$1,471,116).

The adopted budgets for the general, special revenue, debt service and capital project funds are prepared on a basis consistent with generally accepted accounting principles. A comparison of budget and actual is included in the accompanying financial statements for governmental fund types with annual budgets.

The adopted budgets for enterprise and internal service funds are prepared on a basis consistent with generally accepted accounting principles. Both budget and accounting treat depreciation as an expense and for budget purposes capital outlay is a memo entry only.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 3– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

Budget and actual comparisons (excluding capital project revenues and expenses) of the County's enterprise and internal service funds for the year ended December 31, 2005 are as follows:

Enterprise Funds	Revenues		Expenses	
	Budget	Actual	Budget	Actual
Radio Services*	\$ 1,101,771	\$ 1,250,619	\$ 1,209,959	\$ 962,411
Golf Courses	3,375,000	3,163,269	3,228,068	3,104,655
Ice Arenas*	1,070,500	907,039	1,073,410	1,031,699
Materials Recovery Facility	1,790,000	2,112,983	1,991,689	1,630,577
Airport*	1,028,785	1,056,306	1,222,762	1,206,461
<b>Internal Service Funds</b>				
Risk Mgmt/Self-Insurance	\$ 1,632,300	\$ 1,439,180	\$ 2,988,830	\$ 2,963,173
Vehicle Equipment Replacement	2,065,800	2,247,576	1,996,751	1,909,869
Central Fleet Maintenance	2,872,210	2,763,826	2,992,890	2,872,470
Records Management	1,284,149	1,112,153	1,285,610	1,255,221
Communications	792,475	779,572	779,113	779,113
Collections	643,776	716,571	688,051	592,662
End User Technology Fund	2,738,104	2,690,193	3,329,745	2,890,183

\*Actual expenses exclude depreciation expense for capital assets acquired by grants externally restricted for capital acquisitions and construction (Radio Services, \$203,670; Ice Arena, \$84,634; Airport, \$600,009).

Budgetary amounts lapse at year-end, except for unexpended appropriations for capital projects, which carry forward to the ensuing year. The County Board, by ordinance, can authorize the carry forward of prior year's unexpended appropriations to the ensuing year.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

No funds had excess expenditures over appropriations.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 3— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)**

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**C. DEFICIT BALANCES**

No funds had a deficit balance at December 31, 2005.

**D. LIMITATIONS ON THE COUNTY'S TAX LEVY RATE AND ITS ABILITY TO ISSUE NEW DEBT**

As part of Wisconsin's 1993 State Budget Bill (Act 16), legislation was passed (s.55.605, Wisconsin statutes) that limits the County's future tax levy rates. Generally, the County is limited to its 1992 tax levy rate for a five-year period, based upon current legislation. However, this limitation does not affect debt authorized prior to August 12, 1993 or refunding bonds.

The County may also exceed the limitation by holding a referendum (s.55.605 (3)(a)(1)) authorizing the County Board to approve a higher rate. The County may also exceed the rate if it increases the services it provides due to a transfer of these services from another governmental unit.

State statutes (s.55.605 and 67.045) also impose restrictions on the county's ability to issue new debt. Generally, referendum approval is required to issue unlimited tax general obligation debt, with the following exceptions:

- Refunding debt issues
- 75% approval by the County Board
- A reasonable expectation that the new debt can be accommodated within the existing tax rate
- Other exceptions as listed in State Statutes Section 67.045

The County is in compliance with the limitation.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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The County maintains a cash and investment pool that is available for use by all funds, except agency funds. The deposits and investments of the agency funds are held separately from those of other County funds. The deposit and investment balances of the various fund types on December 31, 2005 are as follows:

General Fund	\$46,303,175
Special Revenue Funds	10,805,960
Debt Service Funds	3,017,768
Capital Projects Funds	24,921,642
Enterprise Funds	17,011,867
Internal Service Funds	14,490,277
Internal Service Funds – Restricted	390,097
Agency Funds	20,604,905
<b>Total</b>	<b>\$137,545,691</b>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 4– DEPOSITS AND INVESTMENTS (CONT'D)**

The County has adopted a formal investment policy which delegates authority to the Director of Administration to invest money of the County, to sell or exchange securities purchased and to provide for the safekeeping of such securities. The Department of Administration contracts with investment advisory firms for investment management services.

**Investment Risk Factors**

There are many factors that can affect the value of investments, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

**Credit Risk**

Fixed income securities are subject to credit risk, which is the chance that a bond issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. The circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond rating agencies, such as Moody's Investors Service (Moody's) or Standard and Poor's (S&P). The lower the rating, the greater the chance, in the rating agency's opinion, that the bond issuer will default or fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk. The County's investment policy permits investments in securities only rated in the top two rating categories by Moody's and/or S&P.

Certain fixed income securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government are not considered to have credit risk.

The credit risk profile for fixed income securities at December 31, 2005 is as follows:

U.S. Government Guaranteed	
U.S. Treasury	\$22,122,881
U.S. Agencies	8,895,239
Total U.S. Government Guaranteed	\$31,018,120
Money Market Accounts	
AAAm	\$5,773,528
Unrated – Wisconsin Local Government Investment Pool	5,201,120
Total Money Market Accounts	\$10,974,648
U.S. Agencies	
AAA rated	\$67,409,898
Municipal Bonds	
AAA rated	\$4,561,594
AA rated	3,162,315
Total Municipal Bonds	\$7,723,909
Grand Total	\$117,126,575



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 4— DEPOSITS AND INVESTMENTS (CONT'D)**

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**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the custodian holding the County's deposits and investments, the deposits and investments may not be returned.

As of December 31, 2005, the carrying amount of the County's deposits was \$19,763,941 and the bank balance was \$15,168,411. \$13,391,151 of the bank balance at year-end was covered by Federal and State depository insurance or by collateral held by the County's agent in the County's name. \$1,777,260 of the bank balance was uninsured or uncollateralized at year-end. In addition, the County maintains petty cash funds in the amount of \$43,897.

The County's Investment Policy requires all investment institutions acting as a depository for the County to enter into a "depository agreement" requiring the depository to pledge collateral to secure deposits over and above the \$100,000 of federal depository insurance and the \$400,000 covered by the State Deposit Guarantee. All securities serving as collateral shall be specifically pledged to the County (not as part of a pooled fund) and placed in a custodial account at a Federal Reserve Bank, a trust department of a commercial bank, or through another financial institution. The custodian may not be owned or controlled by the depository institution or its holding company unless it is a separately operated trust institution. The custodian shall send statements of pledged collateral to the Treasurer's Office on a monthly basis.

The County's Investment Policy requires all of the County's investments to be held in the County's name by a third party custodian (a bank trust company), or be part of an external investment pool. There is no custodial credit risk exposure for these investments.

**Concentration of Credit Risk**

Concentration of credit risk is the risk associated with a lack of diversification of having significant funds invested in a few individual issuers, thereby exposing the County to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

Major issuers (over five percent of total investments) in the County's portfolio as of December 31, 2005 are as follows:

Issuer	Amount	Percentage
Federal National Mortgage Association	\$39,498,525	37.2%
Federal Home Loan Mortgage Corp.	\$23,123,846	21.8%
US Treasury	\$22,122,881	20.8%
Small Business Administration	\$5,605,370	5.3%
Other Issuers (none over 5%)	\$15,801,305	14.9%
<b>Grand Total</b>	<b>\$106,151,927</b>	<b>100.0%</b>

The County's Investment Policy limits participation in investment pools or money market funds to no greater than ten percent of the total funds invested in the pool, based on monthly statement ending balances. There are no restrictions relating to concentration of credit risk on investments in debt securities.

**Interest Rate Risk**

The maturity limits in the County's investment policy are 120 days average maturity for money markets, 270 days for commercial paper, (which the County does not currently own) and 7 years on out of state

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 4– DEPOSITS AND INVESTMENTS (CONT'D)**

general obligation securities. The County doesn't have any overall restrictions, and instead manages things on an individual portfolio basis.

The County's Investment Policy specifies duration as the method to manage interest rate risk for its investments. In practice, the County contracts with professional portfolio management firms for its investments. Each portfolio management firm has been assigned a widely recognized benchmark or combination of benchmarks thereof, consistent with their management strategy. Galliard Capital Management and J.P. Morgan Asset Management have been assigned the Lehman Intermediate Government Index as their benchmark. Dana Investment Advisors has been assigned the 100% Donoghue Taxable Index as their benchmark.

In addition to using the assigned benchmarks to evaluate the performance of the portfolio management firms, the firms also manage interest rate risk by maintaining the effective duration of their portfolios consistent to the duration of the assigned benchmark. The duration of the County's overall investments at December 31, 2005 is as follows (total duration includes money market accounts, which are not listed in the table):

Investment Type	Amount	Effective Duration
Federal Agency Coupon Securities	\$ 9,011,350	4.99 years
U.S. Treasury Coupon Securities	20,711,978	3.89 years
U.S. Treasury Discount Securities	1,058,445	7.70 years
U.S. Treasury Inflation Protected Securities	352,458	0.00 years
Federal Agency Mortgage Pass Through Securities	67,293,787	2.72 years
Municipal Bonds	7,723,909	3.47 years
<b>Grand Total</b>	<b>\$106,151,927</b>	<b>2.94 years</b>

For money market fund investments and the Wisconsin Local Government Investment Pool, weighted average maturity is used to measure interest rate risk. The weighted average maturity of all of the County's money market investments at December 31, 2005 is as follows:

Fund Name	Amount	Weighted Average Maturity
Wisconsin Local Government Investment Pool	\$5,201,120	32 days
AIM Short Term Investment Trust – Government and Agency Portfolio	1,948,680	28 days
Federated Government Obligations Fund	968,497	29 days
JP Morgan Government Money Market Fund	2,856,352	28 days
<b>Grand Total</b>	<b>\$10,974,649</b>	

**Foreign Currency Risk**

The County's Investment Policy does not permit investments in securities of foreign issuers or in securities denominated in a currency other than the U.S. Dollar.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 5— RECEIVABLES**

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**Property Taxes**

The County's property taxes are levied on or before December 31 on the equalized valuation as of the prior January 1 for all general property located in the County. The taxes are due and payable in the following year. Such amounts are recorded as property taxes receivable and deferred revenues in the accompanying financial statements. The aggregate levy of \$90,157,858 will be recognized as revenue during 2006.

Property taxes are recognized in the appropriate fund as revenues in the succeeding year when they are collected and available to finance services. If not collected by July 31st the delinquent property taxes are recorded as receivables and deferred revenues in the general fund. Delinquent property taxes are recognized as revenue when collected. Simple interest and penalty of 1 1/2 percent per month on delinquent property taxes are assessed by the County and recognized as revenue when received.

The County purchases uncollected property taxes from other taxing authorities at the unpaid amount to facilitate the collection of the taxes. The purchases are a financing arrangement and are not included in property tax revenues.

Local treasurers collect property taxes levied, typically through the last day of January in each year.

At this time, a settlement process between the county treasurer and local treasurers determines the amount due the various taxing districts. Tax collection becomes the responsibility of the County and taxes receivable represent unpaid taxes levied for all taxing entities within the County. The exceptions to this process are the Cities of Muskego, New Berlin, Oconomowoc and Waukesha and the Villages of Mukwonago and Sussex, wherein the settlement process does not occur until August of each year. Periodic advances from these taxing districts to the County are made prior to August of each year.

On August 31, the tax lien date, all unpaid taxes are reflected as tax certificates. No allowance for losses on delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the property.

Delinquent property taxes purchased from other taxing authorities are shown as reservations of fund balance at year-end. Delinquent property taxes levied by the County are shown as deferred revenue and are excluded from the fund balance until collected.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 5- RECEIVABLES (CONT'D)**

At December 31, 2005, delinquent property taxes by year levied consisted of the following:

<b>Tax Certificates</b>	<b>Total</b>	<b>County Levied</b>	<b>County Purchased</b>
2004	\$ 3,409,291	\$ 393,091	\$ 3,016,200
2003	1,095,685	123,593	972,092
2002	398,978	45,204	353,774
2001	35,946	4,084	31,862
2000	24,256	2,877	21,379
1999	4,234	487	3,747
1998 and prior	20,235	2,371	17,864
Tax Deeds	58,212	6,752	51,460
Total Delinquent Property Taxes Receivable	\$ 5,046,837	\$ 578,459	\$ 4,468,378

**Noncurrent Receivables**

The amount of receivables not expected to be collected within one year include an estimated \$3.3 million of property taxes, \$1.8 million of CDBG loans, and \$711,764 of municipal loans.

**Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of current period. They have been levied with the intention to finance the following year's activities. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Total</b>
Property taxes receivable for subsequent year	\$ -	\$ 89,686,569	\$ 89,686,569
Delinquent property taxes receivable	-	578,459	578,459
CDBG loans receivable	3,452,619	-	3,452,619
Municipal loans receivable	892,393	-	892,393
Grant draw downs prior to meeting all eligibility requirements	-	1,077,939	1,077,939
Total deferred/unearned revenue for governmental funds	\$ 4,345,012	\$ 91,342,967	\$ 95,687,979

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 6- DUE FROM OTHER GOVERNMENTS**

At December 31, 2005, amounts due from other governments consisted of the following:

Source	Amount
Federal:	
CDBG Grants	\$ 613,915
Dept of Aging Grants	244,191
Dept of Justice/U.S. Marshall	123,262
Other Federal	2,685
State:	
Health and Human Services Aid	5,388,035
Dept of Transportation	806,076
Other State	959,343
County and Municipal	283,430
Total per Statement of Net Assets	\$ 8,420,937

**NOTE 7- LONG TERM RECEIVABLE FROM MUNICIPALITIES**

Trunked Radio. As part of a countywide radio upgrade capital project, the County entered into 50/50 cost-share agreements with municipalities to finance the project's infrastructure costs. As part of the agreement, the County is providing interest-free financing to initial charter member municipalities over a nine-year period for infrastructure. The County is also providing interest bearing financing to municipalities for radio equipment purchases at the County's cost of capital of 4.2%. In 2000, the County recorded a long-term receivable from municipalities of \$1,784,458 in the radio services enterprise fund for infrastructure. Annual repayments began in 2000. In 2001, the County recorded an additional long term receivable from municipalities of \$3,891,900 for equipment. Annual repayments for equipment began in 2001. The balance of the long-term receivable at December 31, 2005 is \$2,271,326.

Communications Center. The 2003 capital budget included the appropriation of general fund balance as loans to municipalities to help them finance their half of infrastructure costs for a Waukesha County Communications Center. During 2002, the County received commitments from 29 municipalities, in the form of promissory notes to Waukesha County, to pay their estimated share of the capital costs. These notes totaled \$1,423,526, and were recorded as long-term receivables from municipalities in 2003, when construction began on the communications center. As of December 31, 2005, \$892,392 was outstanding on the notes.

Community Development Programs. As of December 31, 2005, \$3,452,619 is receivable from cities, villages, towns and non-profit corporations for federally funded Housing Assistance, Economic Development, and HOME loan programs.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 8— CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows

	Balance 01/01/2005	Additions	Deletions	Balance 12/31/2005
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	<u>\$ 32,975,336</u>	<u>\$ 1,215,763</u>	<u>\$ 141,393</u>	<u>\$ 34,049,706</u>
Construction in progress	<u>\$ 59,545,648</u>	<u>\$26,049,582</u>	<u>\$ 6,872,395</u>	<u>\$ 78,722,835</u>
Other Capital Assets				
Buildings	\$ 100,187,740	\$ 3,763,403	\$ 4,232,384	\$ 99,718,759
Land improvements	10,393,483	984,546	-	11,378,029
Machinery and equipment	26,115,912	3,180,631	1,437,093	27,859,450
Vehicles	9,880,336	1,617,451	1,601,048	9,896,739
Infrastructure	168,551,339	5,290,450	102,172	173,739,617
Total other capital assets at historical cost	<u>\$ 315,128,810</u>	<u>\$14,836,481</u>	<u>\$ 7,372,697</u>	<u>\$ 322,592,594</u>
Less: Accumulated Depreciation for:				
Buildings	\$ 31,903,123	\$ 3,863,811	\$ 4,144,324	\$ 31,622,610
Land improvements	5,023,009	1,032,891	-	6,055,900
Machinery and equipment	17,388,190	2,030,094	986,368	18,431,916
Vehicles	5,233,204	1,184,196	1,617,434	4,799,966
Infrastructure	80,308,806	2,799,695	108,687	82,999,814
Total Accumulated Depreciation	<u>\$ 139,856,332</u>	<u>\$10,910,687</u>	<u>\$ 6,856,813</u>	<u>\$ 143,910,206</u>
Net Other Capital Assets	<u>\$ 175,272,478</u>	<u>\$ 3,925,794</u>	<u>\$ 515,884</u>	<u>\$ 178,682,388</u>

The difference between the additions in accumulated depreciation shown above and the depreciation expense reflected on the following page can be explained as follows:

Depreciation Expense	\$ 8,915,530
Transfers in	
Exposition Center	1,989,157
Register of Deeds	<u>6,000</u>
Total Accumulated Depreciation Additions	<u>\$ 10,910,687</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 8- CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Justice and Law Enforcement	\$ 68,925
Health & Human Services	7,605
Public Works (includes roads, bridges, signals, buildings)	5,218,849
Environment, Parks, and Education	688,906
General Government	454,796
Risk Management	767
Vehicle Replacement Fund	1,819,691
Central Fleet	136,498
Records Management	103,750
Communications	16,062
Collections	3,279
End User Technology Fund	<u>396,402</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 8,915,530</u></u>

<b>Business-Type Activities</b>	Balance 01/01/2005	Additions	Deletions	Balance 12/31/2005
Capital assets not being depreciated:				
Land	<u>\$ 10,288,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,288,747</u>
Construction in progress	<u>\$ 20,713</u>	<u>\$ 548,702</u>	<u>\$ -</u>	<u>\$ 569,415</u>
Other Capital Assets				
Buildings	\$ 19,409,933	\$ 33,639	\$ 2,992,988	\$ 16,450,584
Land improvements	18,897,043	258	901,057	17,996,244
Machinery and equipment	<u>7,551,402</u>	<u>743,339</u>	<u>709,862</u>	<u>7,584,879</u>
Total other capital assets at historical cost	<u>\$ 45,858,378</u>	<u>\$ 777,236</u>	<u>\$ 4,603,907</u>	<u>\$ 42,031,707</u>
Less: Accumulated depreciation for:				
Buildings	\$ 7,039,557	\$ 547,192	\$ 1,451,843	\$ 6,134,906
Land improvements	6,959,458	887,039	460,666	7,385,831
Machinery and equipment	<u>4,132,745</u>	<u>610,574</u>	<u>396,483</u>	<u>4,346,836</u>
Total Accumulated Depreciation	<u>18,131,760</u>	<u>2,044,805</u>	<u>2,308,992</u>	<u>17,867,573</u>
Net Other Capital Assets	<u>\$ 27,726,618</u>	<u>\$ (1,267,569)</u>	<u>\$ 2,294,915</u>	<u>\$ 24,164,134</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 8– CAPITAL ASSETS (CONT'D)**

Depreciation expense was charged to functions as follows:

Radio Services	\$ 442,641
Golf Courses	233,917
Ice Arenas	225,661
Materials Recovery Facility	192,201
Airport	<u>950,385</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 2,044,805</u>

**NOTE 9. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

Individual fund interfund receivable and payable balances for overdrafts on pooled cash accounts at December 31, 2005 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year
General Fund	Mental Health Center	\$43,948	\$ 0
Subtotal - Fund financial statements		43,948	0
Less: Fund eliminations		(43,948)	0
Add: Balances created with internal service fund eliminations		398,958	0
Total – Government-wide statement of Net Assets		\$398,958	\$ 0

Individual balances for interfund advances at December 31, 2005 were as follows:

Receivable Fund	Payables Fund	Amount	Amount Not Due Within One Year	Purpose
General Fund	2003 Capital Projects	\$ 1,797,685	\$ 1,619,745	Loans to Municipalities
General Fund	Ice Arena Fund	1,747,808	1,639,984	Building Construction
General Fund	Radio Services	2,845,514	2,270,886	Building Construction
General Fund	Risk Management	259,526	134,312	Note Retirement
Subtotal – General Fund		\$ 6,650,533	\$ 5,664,927	
Golf Course Fund	Ice Arena Fund	461,609	461,609	Building Construction
Subtotal - Fund financial statements		7,112,142	6,126,536	
Less fund eliminations		(2,518,820)	(2,215,666)	
Total – Government-wide statement of net assets		\$ 4,595,322	\$ 3,910,870	

The principal purpose of these interfunds is to provide funding for capital projects through internal borrowing.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 9- INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONT'D)**

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The following is a schedule of interfund transfers:

Fund Transferred From	Fund Transferred To	Amount	Principal Purpose
General Fund	Debt Service	\$ 500,000	Debt Retirement
General Fund	2005 Capital Projects Fund	3,000,000	Capital project funding
General Fund	Tarmann Fund	103,545	Land acquisition
General Fund	Highway Fund	245,000	Operating budget support
General Fund	Exposition Center Fund	\$ 68,875	To close Expo net assets
Subtotal General Fund		\$ 3,917,420	
<b>Other Governmental:</b>			
Human Services	Mental Health Center	\$ 89,600	Operating budget support
Long Term Care	Mental Health Center	159,470	Operating budget support
1998 Capital Projects Fund	2005 Capital Projects Fund	1,600,000	Capital project funding
Total Governmental		\$ 5,766,490	
<b>Proprietary:</b>			
Golf Course Fund	Tarmann Fund	\$ 75,000	Land acquisition
End User Technology	General Fund	70,000	Operating budget support
Collections Fund	General Fund	95,000	Repay start-up costs
Total Proprietary		\$ 240,000	
Subtotal Fund Financial Statements		\$ 6,006,490	
Less: Fund Eliminations		\$ (6,000,365)	
Add: Capital assets transferred from exposition center		2,075,214	
<b>Grand Total - Statement of Activities</b>		<b>\$ 2,081,339</b>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the fund financial statements, total transfers out of \$8,081,704 are greater than total transfers in of \$6,006,490 because of the treatment of transfers of capital assets from the enterprise fund to the governmental activities. During the year, existing capital assets previously recorded in the Exposition Center enterprise fund, with a book value of \$2,075,214, were transferred to the governmental activities. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the enterprise funds did report a transfer out for the capital resources provided to the governmental activities.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 10— LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt	\$ 71,465,000	\$14,400,000	\$ (8,715,000)	\$77,150,000	\$ 9,625,000
Compensated Absences (Note 1.D.7)	3,795,519	628,965	(227,731)	4,196,753	4,196,753
Total Governmental Activities	\$ 75,260,519	\$15,028,965	\$ (8,942,731)	\$81,346,753	\$ 13,821,753

**General Obligation Debt**

The County has issued general obligation debt for the purpose of financing various capital improvements. All general obligation notes and bonds payable are backed by the full faith and credit of the County. Notes and bonds in the governmental funds will be retired by future property tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the County may not exceed five percent of the equalized value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2005, based on an equalized value of \$45,451,031,200 was \$2,272,551,560. Total general obligation debt outstanding at year-end was \$77,150,000.

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/05
<b>General Obligation Debt</b>					
<b>Governmental Activities</b>					
1998A GOPN	06/01/98	12/01/07	4.125%-4.20%	9,800,000	3,225,000
1999A GOPN	05/01/99	12/01/08	3.50%-4.30%	9,900,000	5,900,000
2000A GOPN	07/01/00	12/01/09	5.00%	9,900,000	7,000,000
2001B GOPN	05/01/01	12/01/10	4.50%	9,900,000	8,350,000
2002A GOPN	04/01/02	04/01/12	3.75%-4.40%	14,600,000	13,200,000
2003A GOPN	04/01/03	04/01/13	2.00%-3.875%	13,500,000	12,575,000
2004A GOPN	04/01/04	04/01/14	2.00%-3.20%	14,000,000	12,500,000
2005A GOPN	05/01/05	04/01/15	3.50%-4.00%	14,400,000	14,400,000
Total					77,150,000

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 10- LONG-TERM OBLIGATIONS (CONT'D)**

Debt service requirements to maturity are as follows:

Governmental Activities General Obligation Debt		
Years	Principal	Interest
2006	9,625,000	2,980,914
2007	9,575,000	2,580,100
2008	9,630,000	2,148,556
2009	9,340,000	1,715,063
2010	8,575,000	1,323,305
2011-2015	30,405,000	2,121,588
Total	\$ 77,150,000	\$ 12,869,526

As of December 31, 2005, \$3,017,768 is available in the governmental funds to service the general obligation debt.

**Other Debt Information**

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general and human services funds.

**NOTE 11- LEASE DISCLOSURES**

The County has no material capital leases as lessee or lessor.

**Operating Leases**

1. The County has a master lease agreement with the WCTC Foundation for the rental of space in a building known as the Workforce Development Center. The initial lease covered a ten-year period beginning January 1, 1995 with one ten-year renewal option. In August, 2004 an extension was negotiated for a period of five years commencing on January 1, 2005. The extension included reduced footage (4,271 square feet) and an annual payment composed of a base rent (for 2005 only) and an additional amount for payment of operating costs and capital improvements/major maintenance (sinking fund). The annual rate for operating costs continues the 1995 initial rate of \$4.00 per square foot with an annual adjustment based on the Consumer Price Index. The resulting actual 2005 lease costs are detailed below.

Base Rent	\$ 10,299
Operating costs	21,675
Sinking fund: Capital improvements/major maintenance	2,349
Unpaid claims - End of Year	<u>\$ 34,323</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 11– LEASE DISCLOSURES (CONT'D)**

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2. The County, through the Airport Commission, oversees the overall operation of the airport, and is lessor of the facility under various operating leases for periods ranging from 2006 through 2035. Operating leases at December 31, 2005 provide for the following future minimum lease payments:

Year	Amount
2006	\$ 196,964
2007	197,808
2008	184,844
2009	177,079
2010	159,168
2011-15	705,522
2016-20	563,776
2021-25	371,550
2026-30	363,561
2031-35	99,839
Total	\$ 3,020,111

The leased facilities have a cost of \$2,947,806, accumulated depreciation of \$1,505,872, and a net book value of \$1,441,934.

**NOTE 12 –GOVERNMENTAL ACTIVITIES NET ASSETS**

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Governmental activities net assets reported on the government wide statement of net assets at December 31, 2005 includes the following:

Invested in capital assets, net of related debt	
Land	\$ 34,049,706
Construction in progress	78,722,835
Other capital assets, net of accumulated depreciation	178,682,388
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(77,145,592)</u>
Total invested in capital assets	<u>\$ 214,309,336</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13— COMPONENT UNIT (CONT'D)**

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This report contains the Waukesha County Housing Authority (Authority), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities. The footnote below is re-produced from the Authority's report.

**NOTE 1 – Summary of Significant Accounting Policies**

The accounting policies of the Waukesha County Housing Authority, Wisconsin conform to generally accepted accounting principles as applicable to enterprise funds of governmental units.

**A. Reporting Entity**

This report contains the financial information of the Waukesha County Housing Authority (the "Authority"), which is a component unit of Waukesha County.

The Authority is a legally separate organization. The board of commissioners of the Authority is appointed by the county executive and board of supervisors of Waukesha County. Wisconsin Statutes provide for circumstances whereby Waukesha County can impose their will on the Authority, and also create a potential financial benefit to or burden on Waukesha County.

The reporting entity for the Authority consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary governments. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. This report does not contain any component units.

The Authority was established for the purpose of engaging in the development, acquisition, and administrative activities of low-income housing programs and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the local housing authorities in financing the acquisition,

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13— COMPONENT UNIT (CONT'D)**

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construction and/or leasing of housing units and to make annual contributions (subsidies) to local housing authorities for the purpose of maintaining the low-rent character of the local housing programs.

**B. Financial Statements**

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into "invested in capital assets, net of related debt"; "restricted"; and "unrestricted" components.

The Authority follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The Authority distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The Authority currently does not have any operating revenues. Operating expenses for the Authority include administrative expenses, tenant expenses, maintenance and operation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13— COMPONENT UNIT (CONT'D)**

---

Investment of Authority funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The Authority's investment policy follows the state statute for allowable investments. The Authority does not have a policy that pertains to custodial credit risk.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. The difference between the book balance and carrying value is due to outstanding checks and/or deposits in transit.

See NOTE III.A. for further information.

**2. Receivables**

Accounts receivable have been shown net of an allowance for uncollectible accounts of \$0.

**3. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

**4. Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by external parties. Current liabilities payable from these restricted assets are so classified.

**5. Capital Assets**

Capital assets used by the Authority are those assets owned by the Housing Authority of the City of Waukesha. Consequently, the Authority does not report any capital assets.

**6. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13- COMPONENT UNIT (CONT'D)**

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Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at September 30, 2005 are determined on the basis of current salary rates and include salary related payments.

**7. Conduit Debt**

The Authority has issued multifamily housing refunding revenue bonds for the benefit of private enterprises. The bonds are secured by revenue agreements on the associated projects and do not constitute indebtedness of the Authority. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of bonds outstanding at the end of the year is \$25,070,000, made up of three issues.

**8. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

**9. Equity Classifications**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**NOTE II – Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for funds receiving federal expenditure awards. All budgets are prepared on a basis prescribed by HUD which is materially consistent with generally accepted accounting principles. All annual appropriations lapse at year-end.



WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13– COMPONENT UNIT (CONT'D)**

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NOTE III – Detailed Notes on All Funds

A. Deposits and Investments

The Authority's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 270,619	\$ 270,619	Custodial credit risk
Certificates of deposit	296,719	296,719	Custodial credit risk
Total Cash and Investments	<u>\$ 567,338</u>	<u>\$ 567,338</u>	

Reconciliation to financial statements

Per statement of net assets

Unrestricted cash and cash equivalents	\$ 236,751
Unrestricted investments	296,719
Restricted cash and cash equivalents	33,868
Total Cash and Investments	<u>\$ 567,338</u>

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual entities.

**Custodial Credit Risk**

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

The Authority does not have any deposits exposed to custodial credit risk.

B. Receivables

All of the Authority's receivables are expected to be collected within one year.

C. Restricted Assets

The following represent the balances of the restricted assets:

*Tenant Deposits*

The Authority holds certain assets under the Family Self Sufficiency Program which are for the purpose of assisting tenants with accumulating funds.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 13– COMPONENT UNIT (CONT'D)**

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NOTE IV – Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

B. Commitments and Contingencies

From time to time, the Authority is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Authority's Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Authority's financial position or results of operations.

The Authority has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

C. Economic Dependency

The Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Authority operates at a loss prior to receiving contributions and grants from HUD.

**NOTE 14– EMPLOYEES' RETIREMENT SYSTEM**

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All eligible County employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.6% of their salary (2.6% for Executives and Elected Officials, 4.5% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for County employees covered by the system for the year ended December 31, 2005 was \$66,239,820; the employer's total payroll was \$66,329,043. The total required contribution for the year

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 14– EMPLOYEES’ RETIREMENT SYSTEM (CONT’D)**

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ended December 31, 2005 was \$7,331,655 or 11 percent of covered payroll. Of this amount, the employer contributed 100 percent for the current year. Total contributions for the years ending December 31, 2004 and 2003 were \$6,674,647 and \$6,009,769, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

There was no pension-related debt for the County as of December 31, 2005.

**NOTE 15 – RISK MANAGEMENT/SELF INSURANCE**

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The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; and workers compensation. The County purchases commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. The County also participates in a public entity risk pool called the Wisconsin Municipal Mutual Insurance Company (WMMIC) to provide coverage for losses from torts, errors and omission, and workers compensation. Such risks are accounted for and financed by the County in an internal service fund – the risk management fund.

**Public Entity Risk Pool**

During 1987, the County, together with certain other units of government within the State of Wisconsin, created the Wisconsin Municipal Mutual Insurance Company (WMMIC), a nonassessable mutual company which provides liability insurance and risk management services to its members. The County became a member of WMMIC in 1987 by issuing a general obligation note for \$2,459,264 and investing the proceeds in WMMIC. The scope of insurance protection provided by WMMIC is broad, covering automobile liability, general liability, law enforcement liability, public official's errors and omissions, civil rights, incidental medical malpractice, personal injury, equal rights, and Americans with Disabilities Act at policy limits of \$5,000,000 per occurrence with a \$10,000,000 aggregate for general and automobile liability claims and a \$15,000,000 aggregate for errors or omissions claims. The County's self-insured retention limit is \$250,000 for each occurrence and \$950,000 annual aggregate. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. WMMIC's exposure in its layer of insurance is limited to \$1,000,000 per occurrence in that the company purchases \$4,000,000 per occurrence in reinsurance for losses in excess of its retained layer of coverage.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15— RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

WMMIC is governed by one entity-one vote. Member entities include Waukesha County and the counties of Brown, Chippewa, Dane, Dodge, Eau Claire, Kenosha, LaCrosse, Manitowoc, Marathon, Outagamie, and St. Croix and the cities of Eau Claire and Madison. All member entities participate in the governing of the company. Its Board of Directors is made up of at least five representatives of the participating entities and the company's Charter allows for the appointment of two at large members to the Board of Directors. The participants elect the board members at the annual meeting. The board has the authority to adopt its own budget, set policy matters and control the financial affairs of the company.

The actuary for WMMIC determines the insurance premiums for each member based upon the relevant rating exposure bases as well as the historical loss experience by member. WMMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company. The participants' share in the operation of WMMIC as of December 31, 2005 is as follows:

	GAAP Equity Percentage
Brown County	8.07
Chippewa County	3.78
Dane County	10.59
Dodge County	4.02
Eau Claire County	2.94
City of Eau Claire	4.10
Kenosha County	6.36
LaCrosse County	4.13
City of Madison	19.63
Manitowoc County	6.76
Marathon County	6.34
Outagamie County	7.55
St. Croix County	3.45
Waukesha County	12.28
Total	100.00

Summary unaudited financial information of the company as of December 31, 2005 is as follows:

Total assets	\$43,365,185
Total liabilities	14,897,933
Total surplus	28,467,252
Total revenues	5,780,134
Total expenditures	5,419,173
Net income	360,961
Outstanding debt	2,855,988

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15– RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

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The County's investment in WMMIC is reported on the risk management fund balance sheet as a deposit. The amount reported is the original capitalization of \$2,459,264. According to its bylaws, WMMIC allocates equity to members based on the percentage of participation. GASB pronouncements do not allow the current value of the County's account at WMMIC to be recorded as an asset. However, the amount is \$3,737,880. Separate financial statements can be obtained from WMMIC at their address of 4785 Hayes Road, Madison, Wisconsin, 53704-7364.

WMMIC requires that the County maintain a minimum reserve amount for the payment of claims equal to the expected present value of unpaid losses as determined by the company's actuary consultant. At December 31, 2005, the county's minimum reserve amount required by WMMIC is \$1,213,267. Risk management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$2,878,327, compared to a combined expected present value of loss amount of \$2,131,164.

**Self Insurance – Worker's Compensation**

The worker's compensation internal service fund is maintained to provide for self-insured worker's compensation insurance coverage and employee safety and loss control programs. The County contracts with a third party claims administrator for the purpose of adjusting worker's compensation claims. An excess insurance policy covers individual claims in excess of the County's \$250,000 self-insured retention up to statutory requirements (unlimited) per claim. At this time, settled claims have not exceeded the commercial coverage in any of the past three years. Costs associated with the worker's compensation program are billed to other County departments based on exposure and historical loss experience and include amounts necessary to fund current year claims to be paid in the current year and in the future.

At December 31, 2005, the expected present value of unpaid losses, as determined by the County's actuary consultant, is \$917,897. Risk management's liability and worker's compensation reserves are accounted for in the same fund on a combined basis. The County has established a combined reserve in the amount of \$2,878,327, compared to a combined expected present value of loss amount of \$2,131,164.

**Claims Liability**

The County's objective is to provide a reserve confidence level between 75% and 95% for liability and worker's compensation claims on a combined basis as a reflection of the County's risk tolerance. At December 31, 2005, the County's liability and worker's compensation combined claims reserve totals \$2,878,327, which represents a confidence level just above 75%.

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 15– RISK MANAGEMENT/SELF INSURANCE (CONT'D)**

<u>Liability and Workers Compensation Claims</u>	<u>2004</u>	<u>2005</u>
Unpaid claims, including incurred but not reported -		
Beginning of Year	\$ 1,938,777	\$ 2,015,545
Current year claims and changes in estimates	627,147	1,547,390
Claim payments	<u>(550,379)</u>	<u>(684,608)</u>
Unpaid claims - End of Year	<u>\$ 2,015,545</u>	<u>\$ 2,878,327</u>
Amount not due within one year		\$ 437,037
In addition, net assets can be analyzed as follows:		
Invested in capital assets		\$ 2,659
Reserves for losses not captured within actuary analysis (e.g., pollution liability, employment litigation back wages, etc.) and for catastrophic losses		1,317,812
WMMIC deposit		<u>2,459,264</u>
Total Net Assets		<u>\$ 3,779,735</u>

Self-Insurance - Health Coverage

The County has established a self-insurance program for health claims. Claims are accounted for in the general fund, and are processed by a third party claims administrator. The uninsured risk of loss is \$175,000 per individual claimant per year. The County has purchased commercial stop-loss insurance for claims in excess of the \$175,000 retention. In 2005, the plan experienced one claim that exceeded the \$175,000 specific stop loss retention.

The County also has a self-funded dental plan. The insurance claim payments shown below include both self-funded health and dental.

All funds of the County participate in the health and dental insurance programs. Amounts payable to the general fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported. The County does not allocate overhead costs or other non-incremental costs to the claims liability.

Claims Liability	2004	2005
Unpaid claims – Beginning of Year	\$ 1,365,744	\$ 3,342,028
Current year claims and changes in estimates	12,674,921	9,683,579
Claim payments	<u>(10,698,637)</u>	<u>(11,059,247)</u>
Unpaid claims - End of Year	<u>\$ 3,342,028</u>	<u>\$ 1,966,360</u>
Amount not due within one year		<u>\$ 98,318</u>

WAUKESHA COUNTY, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE 16– COMMITMENTS AND CONTINGENCIES**

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From time to time, the County is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and corporation counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

During 2005, the County borrowed \$14,400,000 for the purpose of making various capital improvements. This money, as well as revenue from other sources, is reflected in the 2005 capital projects fund. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable. The balance of contract amounts plus open purchase orders of \$5,938,499 at year end will be paid out of the reserved fund balance in the capital projects funds.

Funding for the operating budget of the County comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the County. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the County.

**NOTE 17– SUBSEQUENT EVENTS**

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On May 1, 2006, the County issued \$12,000,000 of General Obligation Promissory Notes, dated May 1, 2006, to finance part of the cost of capital improvements within the County.

**NOTE 18– RESTATEMENT OF FUND BALANCES/NET ASSETS**

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Fund balance has been restated due to an adjustment of prior year subsidies from the State.

Highway Operations Fund	
Fund Balance 12/31/04 (As Reported)	\$ 523,787
Less: Correction of prior years subsidies from the State	<u>(82,784)</u>
Fund Balance 1/1/05 (As Restated)	\$ 441,003

Net assets have been restated due to an adjustment of prior year subsidies from the State

Governmental activities net assets 12/31/04 (As Reported)	\$298,049,062
Less: Correction of prior years subsidies from the State	<u>(82,784)</u>
Net Assets 1/1/05 (As Restated)	\$297,966,278

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